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GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Oilseeds and Products Update

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Report Highlights:

Post's MY13/14 soybean production forecast at 12 million tons, rapeseed at 13.2 million tons and peanuts at 16 million tons remains unchanged from the July report. The government continues to offer soybean stocks at auction but purchases remain weak perhaps indicating lower quality of older stocks. Post's forecast for MY13/14 soybean imports remains stable at 67.5 million tons.

Post:
Beijing

Commodities:

Executive Summary:

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Author Defined:

Production

Post's MY13/14 soybean production forecast of 12 million tons remains unchanged from the July report (CH13035). On August 20th, China's National Grain and Oils Information Center (CNGOIC) published its MY13/14 soybean production estimate of 12.8 million tons based on planted area of 7 million Ha (MHa), down by 1.9 percent and 2.4 percent, respectively over MY12/13. According to industry sources, as of the end of July, pod development had benefitted from relatively high moisture and favorable temperatures in most soybean-producing regions. The impact of recent heavy precipitation in parts of Heilongjiang remains difficult to quantify and depends somewhat on future weather conditions.

Post's MY13/14 rapeseed production estimate of 13.2 million tons is unchanged from July (CH13035). CNGOIC's August estimate for MY13/14 rapeseed production of 14.4 million tons is based on planted area of 7.51 million Ha, reflects increases of 2.8 percent and 1.1 percent, respectively over MY12/13 and is unchanged from its July data.

Post's MY13/14 peanut production forecast of 16 million tons remains stable and unchanged from the previous report. However, GNGOIC, based on a 1.5% increase year on year in planted area to 4.71 MHa and higher yield of 3,609 Kg/Ha (up 0.3 percent over the previous year), estimates MY13/14 peanut production of 17 million tons, up from 16.69 million tons forecast for MY12/13.

Auction of old soybean stocks continues

On August 8, CNGOIC reported that 500,000 tons of state soybean reserve (stored in the 3 Northeast Provinces Heilongjiang, Inner Mongolia and Jilin) were offered at auction at the State Grain Wholesale Market. The basic auction price of RMB3,900/ton is lower than the expected price range of RMB4,200 to 4,300/ton and lower than the current purchase price of RMB4,200 to 4,500/ton. The auction price could indicate soybean quality loss after storage and/or the government's determination to move the older soybean stocks at a favorable price.

Subsequent auctions on August 15 and 22nd brought total reserve stocks offered at auction to 1.5 million tons. However, reportedly only 477,000 tons have been sold at prices ranging from RMB3,850

to RMB4,270/ton. Government stocks offered at auction are expected to reach up to a total of 3 million tons of older reserves.

Auction Date	Volume Auctioned (tons)	Volume Sold (tons)	Price(RMB/ton)	% Sold
Aug 8	500,000	89,900	3,894/average	18
Aug 15	500,000	200,000	3,904/average	40
Aug 22	500,000	187,000	3,850-4,270/range	37
Total	1,500,000	476,900		32

Source: Industry data

The low purchase volume likely reflects industry's concern about soybean quality and strong competition from recent soybean crop imports at a reasonable market price (RMB4,050/ton) at ports.

One industry source reported that the government still holds 5.5 million tons after the 3 auctions, based on estimated total purchased volumes of 6 million tons by the state in 2009 and 2010.

Meal consumption showing moderate recovery

According to China's Ministry of Agriculture (MOA), swine inventory went up for the fifth month in July, up 1.2 percent over the same month in the previous year. China's National Development and Reform Commission (NDRC) reported that the swine price maintained a 16 week growth trend while the swine to grain price ratio reached 6.5:1 in mid-August, implying a continued recovery of profit for swine farming. Rising swine profits are supporting a rebound in production and soybean meal consumption.

MY12/13 oilseed product imports remain strong

Post's forecast for MY13/14 soybean imports remains at 67.5 million tons. Industry sources indicated total soybean imports in July reached 7.2 million tons, up 22.7 percent over the same month in the previous year. With current estimates of soybean imports in August and September at 10.5 million tons, total imports should exceed 59 million tons in MY12/13, close to Post's July estimate of 59.5 million tons. CNGOIC's August estimate MY12/13 soybean imports at 59 million tons, with MY13/14 imports at 66 million tons.

Additional market access granted to Australia (to rapeseed-producing regions such as Jiangsu Province) in the first half of 2013 are boosting rapeseed imports. Total imports in the first 10 months of MY12/13 hit 2.91 million tons compared to the 2.34 million tons in the same period in the previous year. Imports of rapeseed are expected to remain strong in the coming months.

Meanwhile, imports of edible vegetable oil in July were robust at 840,000 tons, up 15 percent over the same month in previous year.

Reform on oilseed support policy postponed

The government is expected to purchase MY13/14 domestic soybeans at a floor price equal to or higher than the previous year (RMB4,600/ton), if deemed necessary.

As reported in GAIN report CH13035, the government has established a program to purchase 5 million tons of MY13/14 rapeseed at a floor price of RMB5,100/ton (\$822/ton) to support farmer income and secure resources for reserve. According to the State Grain Administration, as of August 5, the government had purchased 5.38 million tons, up 15 percent over the same period in MY12/13. A combination of factors, including a large crop harvested relatively early and trader's concern with declining rapeseed oil prices, influenced this upswing in state purchases.

Reportedly, an initiative regarding reform to the government's minimum price purchase program was stayed by the State Council in July. Some experts suggest that the State Council is concerned about consideration of a direct price subsidy based on current issues in the "direct subsidy to grains" program.

(Note: 2013 Exchange rate \$1=RMB6.15)